

BUDGET SUMMARY



BUDGET DEVELOPMENTS:

- All funds Budget \$289.5 million
- Total General Fund appropriations of \$124.6 million
- Capital Improvement Program \$22.7 million
- Resolution of \$19.6 million deficit
- Pension reform savings of \$3.9 million
- Elimination of 91 full-time positions to balance budget

City Adopts Budget for FY 2011-12:

Closes \$19.6 Million Budget Deficit Pension Reform Leads the Way

The City of Chula Vista adopted a \$124.6 million budget for fiscal year 2011-12. The city was successful in closing a \$19.6 million deficit that was identified in the baseline budget. The deficit consisted of a combination of projected expenditure obligations and revenue shortfalls. The revenue short-fall was primarily due to a \$9.6 million decrease of one-time revenue from the City's Redevelopment Agency. This revenue was a one-time loan repayment to the City's General Fund that was used to balance the fiscal year 2010-11 budget. However, the revenue was not available in the fiscal year 2011-12 budget. The baseline budget contained also \$8.1 million in unfunded expenditure requirements primarily attributed to increases in employee wages and benefits. Faced with the possibility of massive layoffs and severe service reductions due to the \$19.6 million deficit, city management and labor leadership successfully implemented wage and benefit agreements with the City's labor unions in an effort to mitigate



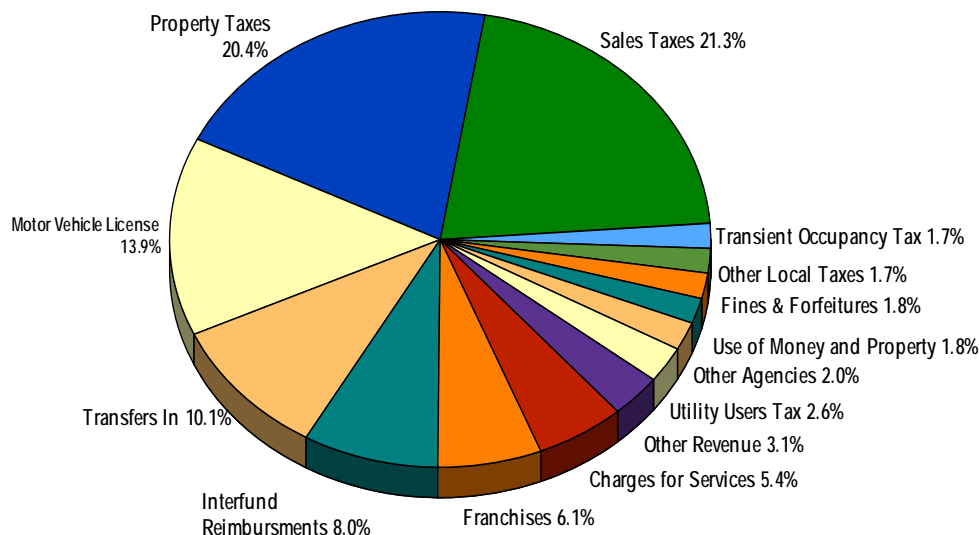
employee layoffs and service reductions. As part of the agreement, the City's labor unions (with the exception of the Police Officer's Association) agreed to forgo scheduled pay raises that had been previously approved. The cornerstone of the agreement however was the achievement of pension reform as the City's labor unions all agreed to the full cost of the employee contribution towards their respective retirement plans. These costs equate to 9% for safety employees and 8% for miscellaneous employees. Although

pension contributions will be phased in for some labor groups, It is estimated that the City will save taxpayers \$_ million yearly when pension reform is fully implemented. Despite these savings, the city was still required to make budget reductions that included the elimination of 91 positions and service reductions at various city facilities. However, the savings generated through pension reform will help the city with its structural deficit as it moves forward in recovering from the recession and strives towards attaining long-term fiscal stability.

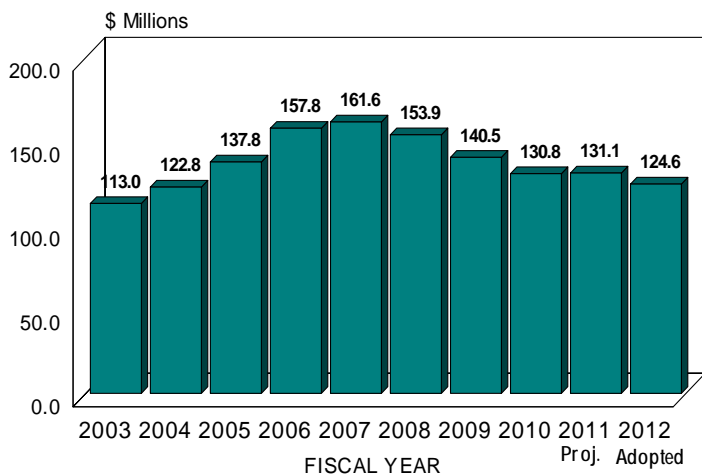
General Fund Revenue

The City's General Fund adopted revenue budget for fiscal year is \$124.6 million. The General Fund includes discretionary revenues the City has available to provide general services to its residents. These services include: police, fire, public works, recreation, library, legal, financial, administration, human resources, information technology and development services.

As depicted on the graph on the right, the City of Chula Vista has a diverse revenue base available to fund its operations. The two largest sources of revenue are sales taxes 21.3% and property taxes 20.4%. Together these two revenue sources account for more than 40% of the City's general fund revenues.



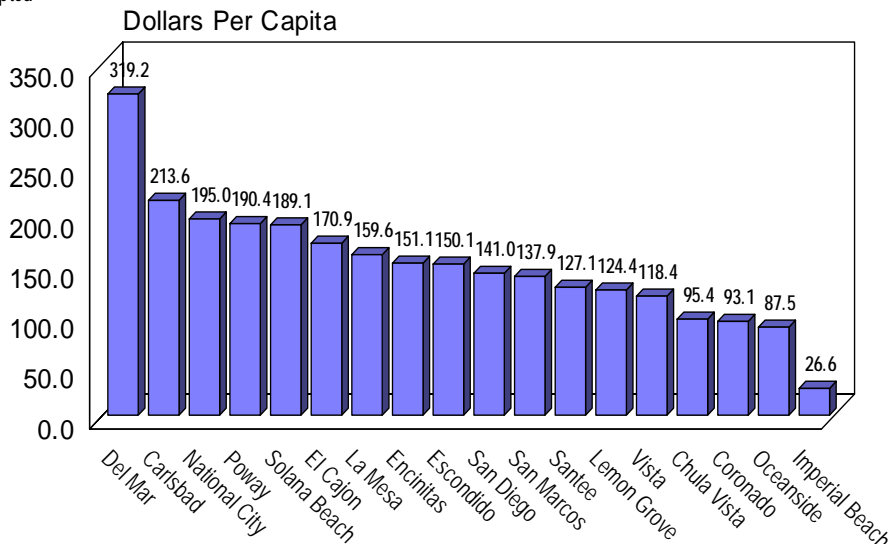
General Fund Revenue Trends



City general fund revenue levels peaked in fiscal year 2007. Since then, general fund revenues have trended downward decreasing by almost \$37 million (22.9%) due to the recent recession. Chula Vista was hard hit by the recession as it caused property foreclosures to increase and assessed valuations to decrease, thus resulting in lower property tax revenues. The recession also resulted in decreased levels of consumption that resulted in lower sales tax revenue generation. The City is anticipating that economy will gradually improve and that general fund revenues cease decreasing and will stabilize in the short-term. The City is also anticipating that development projects planned for the City's bayfront and eastern territories will soon resume providing a needed boost to the City's revenue base.

Sales Taxes Per Capita

Sales tax revenue is the City's largest discretionary revenue source, accounting for 21.3% of total revenue for the General Fund in fiscal year 2011-12. Chula Vista continues to be challenged in the generation of per capita sales taxes when compared to other County cities. As noted on the graph on the right, sales tax per capita for the City is only \$95 compared to the county-wide city average of \$147. This comparison indicates that the City's residents spend a high percentage of their retail dollars elsewhere. This in light of that a healthy share of the City's sales tax revenues are generated by cross-border shoppers. The City needs to extend its efforts in capturing a greater share of its sales tax base.

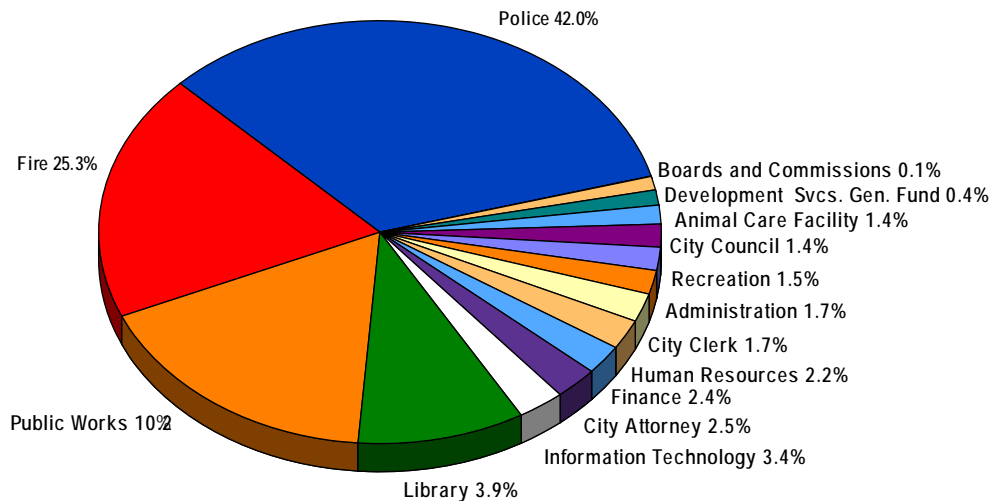


General Fund Net Cost By Department

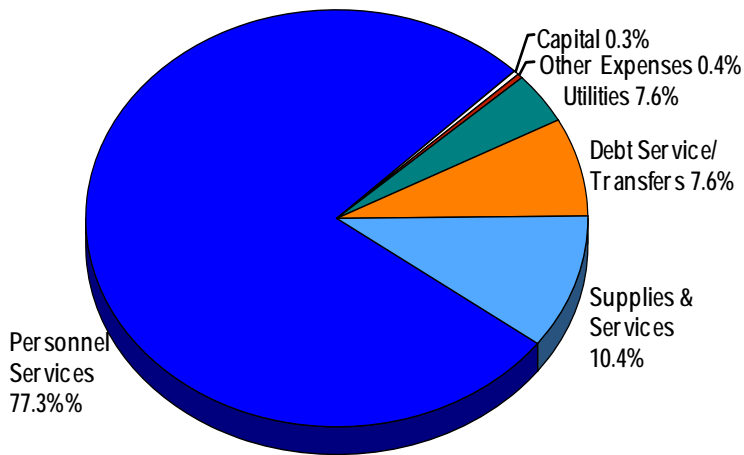
The General Fund Adopted budget for fiscal year 2011-12 totals \$124.6 million, which reflects a decrease of \$3.9 million (3.0%) when compared to the estimated expenditures for fiscal year 2010-11 and a \$6.7 million (5.1%) decrease when compared to the fiscal year 2009-10 actual expenditures. The adopted budget also reflects \$14.6 million of expenditure reductions that were made from the initial baseline budget in order to close a \$19.6 million budget gap. The fiscal year 2011-12 General Fund net cost is \$82.0 million. A department's net cost is defined as the difference between its expenditures and any revenue it generates or receives to offset costs. The total City's net cost is funded by discretionary revenues such as: property taxes, sales taxes, franchise fees and vehicle taxes.

As depicted in the graph on the right, Public Safety departments (Police & Fire) account for 67.3% of the City's net cost. Public Services which includes Public Works, Development Services and the Animal Care Facility accounts for 12.0% of the budget. Culture and Leisure accounts for 5.4% of the budget and includes Recreation and Library. Citywide support departments which include Information Technology, Human Resources, City Attorney, Finance, City Clerk and Administration account for 13.9% of the budget. The Council and Boards and Commissions account for less than 1.5% of the City's General Fund.

Net Cost by Department



Expenditures by Category



As depicted on the graph on left, the personnel services expenditure category accounts for the majority of the expense (77.3%) of the fiscal year 2011-12 adopted budget. This category contains the salary and benefit costs for the City's full and part-time staff. It is worth noting that the size personnel services category relative to the other expenditure categories is not due to staffing increases. Rather it is due to reductions that have been made to the other expenditure categories in an effort to maintain staffing levels and avoid service reductions.

The supplies and services category (10.4%) includes the budgeted costs for goods and services the City requires to support its operations throughout the fiscal year. This category also funds contractual obligations for services provided to City residents that are not delivered by City staff.

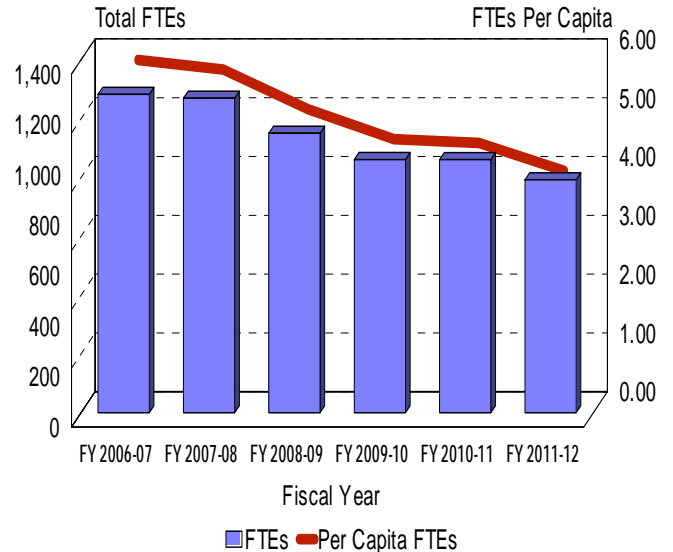
The debt service/transfers category (7.6%) contains the budget costs for loan payments for items such as energy efficiency projects and other borrowing costs. This category also includes the budgeted amount of costs that are transferred out from the City's General Fund to other City funds.

City of Chula Vista
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Staffing Trends

Despite the City's population growing at an average rate of 1.9% over the past 5 years, the number of permanent, benefited employees is 27.0% lower than it was during the fiscal year 2006-07, which represents the peak for staffing. Budget constraints necessitated the net elimination of 339.0 full time equivalent (FTE) positions from the City's high employment mark of 1,263.75 FTEs during fiscal year 2006-07. Due to these cuts, the FTE per thousand residents has decreased from 5.6 employees per thousand residents in fiscal year 2006-07 to an estimated 3.8 employees per thousand residents in fiscal year



2011-12. From January 2006 to January 2011, the city has seen an increase of 3,814 housing units and 22,490 residents. The City has also added 41 parkland acres, 64 center lane miles of streets and 49 miles of sewer capacity during the same period of time.

Principal City Employers

The City's principal employers are summarized on the following table:

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Employer	Year: 2011	
	Number of Employees	Percent of Total Employment
Sweetwater Union High School District	4,125	7.93%
Chula Vista Elementary School District	2,651	5.10%
Rohr Inc/Goodrich Aerospace	2,150	4.13%
Southwestern Community College	2,076	3.99%
Sharp Chula Vista Medical Center	1,352	2.60%
Scripps Mercy Hospital Chula Vista	1,082	2.08%
City of Chula Vista	1,068	2.05%
Wal-Mart	1,011	1.94%
Target	591	1.14%